

MAJOR ACTION REPORT

June 11, 2008

Senate Bill 1067
2008-09 Budget Bill

Senate Committee
on
Budget and Fiscal Review

Denise Moreno Ducheny, Chair

Robert Dutton, Vice Chair
Elaine Alquist
Dave Cogdill
Tom Harman
Christine Kehoe
Alan Lowenthal
Mike Machado

Bob Margett
Alex Padilla
Gloria Romero
Darrell Steinberg
Mark Wyland
Vacancy

ROBERT DUTTON
Vice Chair

ELAINE ALQUIST
DAVE COGDILL
TOM HARMAN
CHRISTINE KEHOE
ALAN LOWENTHAL
MIKE MACHADO
BOB MARGETT
ALEX PADILLA
GLORIA ROMERO
DARRELL STEINBERG
MARK WYLAND
Vacancy

California State Senate

COMMITTEE
ON
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL
SACRAMENTO, CA 95814

SENATOR
DENISE MORENO DUCHENY
CHAIR

STAFF DIRECTOR
DANIEL ALVAREZ

CONSULTANTS
BRIAN ANNIS
KEELY MARTIN BOSLER
KIM CONNOR
EILEEN CUBANSKI
BRYAN EHLERS
AMY SUPINGER
DIANE VAN MAREN
SEIJA VIRTANEN

COMMITTEE ASSISTANTS
GLENDA HIGGINS
ROSE MORRIS

(916) 651-4103
FAX (916) 323-8386



June 9, 2008

The Senate Budget and Fiscal Review Committee has completed its work on the Senate's version of the 2008 budget. This budget represents the work product of 18 full committee hearings and 50 subcommittee hearings.

This budget reflects the honest debate that needs to occur about the kind of State we want, without forgetting that there are segments of our population that need assistance in one form or another. Furthermore, this budget maintains a responsible approach to budgeting by limiting the need for risky revenue proposals, reducing additional borrowing, and with no accounting gimmicks.

This report is available on the Senate Budget and Fiscal Review website:

Please follow the links:

- 1 - www.sen.ca.gov
- 2 - Committees
- 3 - Standing
- 4 - Budget and Fiscal Review
- 5 - Information
- 6 - Major Action Report 2008

We hope you will find this information useful. Please feel free to contact the staff of the Senate Budget and Fiscal Review Committee should you have any questions.

Sincerely,

Senator Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

INTRODUCTION

On June 5, the Senate Budget and Fiscal Review Committee and subcommittees completed its work on recommendations for the Senate version of the 2008-09 Budget. The Senate version of the budget is predicated on \$108.4 billion in total available General Fund resources, \$105.9 billion in General Fund expenditures, with an estimated General Fund reserve of \$1.56 billion.

Overall, the Senate version utilized various guiding principles in crafting its budget expenditures that, among other things: (1) rejected the 10 percent across-the-board approach and established priorities, (2) prioritized funding for children and the most vulnerable of the state's population, (3) funded core services before allocating discretionary funded programs, (4) funded direct services over administrative costs, (5) maintained early intervention and prevention services whenever possible, (6) eliminated duplicative, overlapping and unnecessary programs and services, (7) deferred funding of newly initiated programs, and (8) identified whether reductions resulted in a greater loss of federal funding or resulted in an increased cost in another program – thereby making them ineffective and costly to implement.

The Senate version of the budget includes many expenditure reductions, including, but not limited to: (1) suspension of both the October 2008 SSI/SSP state COLA and October 2008 CalWORKs COLA, (2) elimination of funding for several discretionary local subventions, and (3) \$300 million in additional corrections savings above the May Revision.

In addition, the Senate version of the budget rejected numerous revenue proposals by the administration determined to rely on additional borrowing and accounting gimmicks. The Senate budget: (1) rejected special fund loans; (2) made no assumption related to the securitization of future proceeds from the state lottery; and (3) rejected the administration's questionable accrual shift of personal and corporate income taxes from 2009-10 to 2008-09.

As a result of these actions, the Senate version of the budget replaces these revenues with an assumption about additional General Fund revenues in order to have a reserve of \$1.56 billion.

Overall, the Senate Budget Committee adopted a spending plan that protects education and the state's most vulnerable citizens. Highlights include:

Education / Higher Education

- Appropriating \$3 billion more than the Governor's May Revision for Proposition 98 education.
- Restoring \$57 million in money for new competitive Cal Grant awards, the state's primary financial aid for students attending college. The \$57 million funds 22,550 Cal Grant awards.
- Providing funding for UC and CSU at the same level as 2007-08, which includes approximately \$100 million to each segment above the Governor's January proposal.

Health

- Reducing the cut in the Medi-Cal provider rate from 10 percent to 5 percent and rejecting the Governor's proposal to eliminate dental care, optometry, and other Medi-Cal benefits.

Human Services

- Rejecting the Governor's cuts to children's services, foster care, and the salaries for in-home support service workers.
- Rejecting the administration's proposal to take \$109 million from not passing through to SSI/SSP recipients the January 2009 federal cost-of-living adjustment.

Transportation

- Full funding for Proposition 42, approximately \$1.4 billion for public transit, local road maintenance, and highway construction.

General Budgeting

- No borrowing and no accounting gimmicks.
- Protecting the state's vital services and infrastructure.

General Fund Summary

The following chart – a summary of the General Fund – illustrates how the budget crafted by the Senate Budget and Fiscal Review Committee compares with the Governor's May Revision for both 2007-08 and 2008-09.

General Fund Summary Current Year and Budget Year (in millions)

	May Revision		Senate		May Revision		Senate
	<u>2007-08</u>		<u>2007-08</u>		<u>2008-09</u>		<u>2008-09</u>
Prior-year balance	\$4,096		\$4,127		\$1,743		\$1,511
Revenues and Transfers	\$101,190		\$100,701		\$102,987		\$106,928
Total Resources Available	\$105,296		\$104,828		\$104,730		\$108,439
Total Expenditures	\$103,543		\$103,316		\$101,836		\$105,993
Fund Balance	\$1,743		\$1,511		\$2,894		\$2,446
Reserve for Liquidation of Encumbrances	(\$885)		(\$885)		(\$885)		(\$885)
Special Fund for Economic Uncertainties	\$858		\$626		\$2,009		1,561
Budget Stabilization Account	--		--		--		--
TOTAL AVAILABLE RESERVE	\$858		\$626		\$2,009		\$1,561